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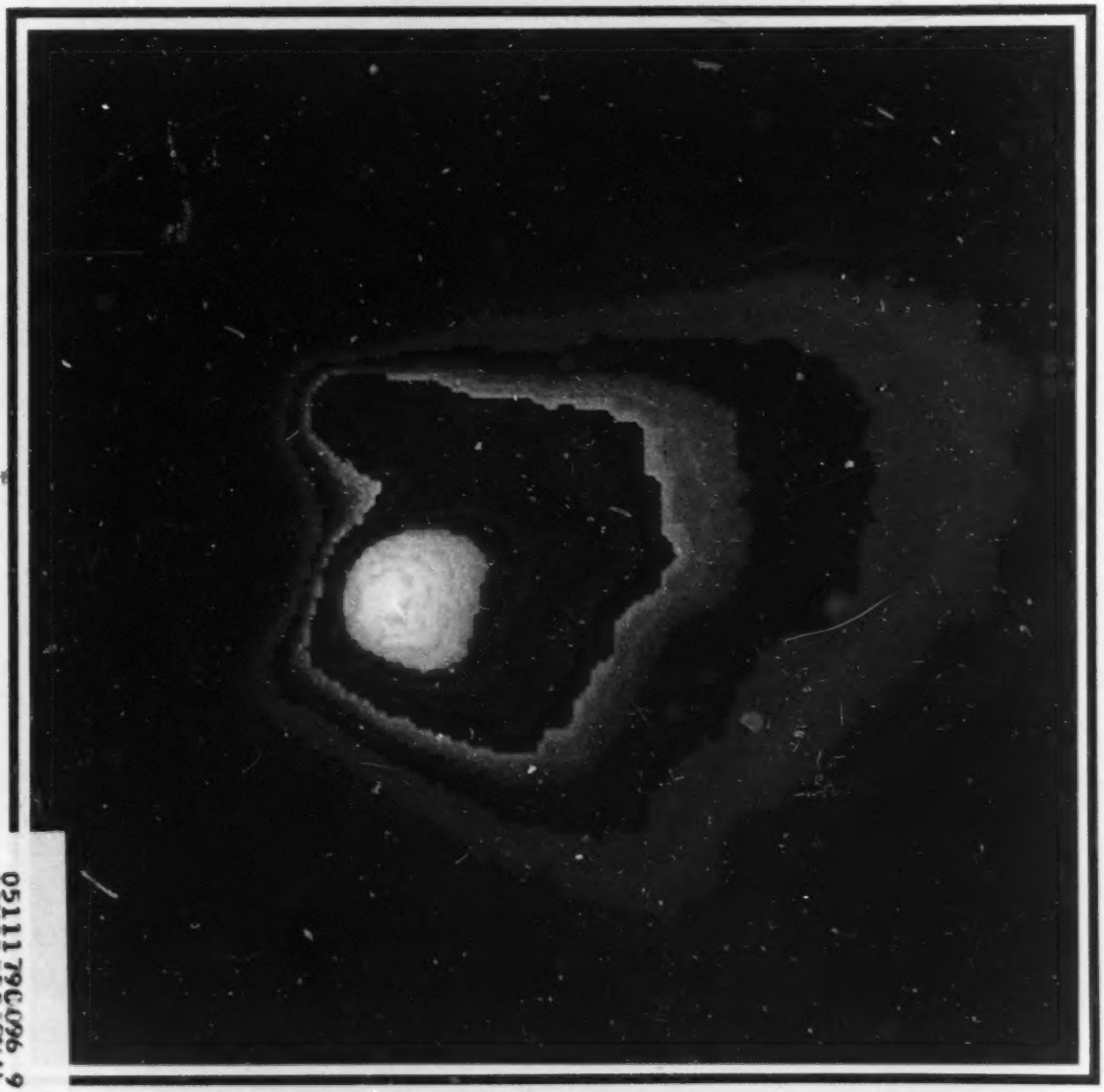
AUGUST 25, 1986

CHEMICAL & ENGINEERING

NEWS



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COMET HALLEY

International effort pays off in bonanza of new findings **Page 7**

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NEWS

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News of the Week

■ **ICI buys Glidden, creating world's largest paint firm; increases British company's presence in the North American marketplace.** **Page 4**

■ **Superfund was voted much needed $48 million from Congress; emergency funds would keep cleanup program going through September.** **Page 5**

■ **Office of Technology Assessment gives qualified endorsement of ocean incineration of hazardous wastes.** **Page 5**

■ **Scientists file brief in Supreme court urging it to reject creationism law in Louisiana.** **Page 5**

■ **President Reagan draws sharp criticism as he announces plans for new shuttle, other space programs.** **Page 6**

■ **EPA program seeks to reduce health risks from radon and educate the public about existing hazards.** **Page 6**

Cover: Two neighboring dust jets shooting out from Halley's dark nucleus appear in arbitrarily chosen colors representing different brightness levels. This Giotto photo shows a small part of the nucleus as an irregular brown area, top left. Copyright, Max Planck Institute of Aeronomy

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Business

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Government

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Science Policy

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ACS News

Petition candidate makes four to vie for director for Region IV; ACS criticizes House committee's decision to cut Department of Energy's budget request for chemical sciences program. **Page 32**

News Focus

Five space probes sent past Halley's comet, together with Earth-based observations, reveal a wealth of new information and surprises. **Page 7**

Drug Company Earnings Rise Again

A combination of higher sales volumes, favorable foreign exchange rates, and other factors helped major U.S. pharmaceutical companies increase their net income an average of 16% in the second quarter of 1986. A group of 16 firms also recorded a composite sales gain of 22% in the quarter, compared to the equivalent period a year earlier. However, the group's average profit margin (after-tax earnings as a percentage of sales) dropped to 10.8% from 11.4% a year before.

The continued weakening of the U.S. dollar against other currencies fattened the bottom line in most cases. At Squibb, for example, currency fluctuations had a net effect of adding $12.7 million to income in the second quarter after contributing to a $9.2 million subtraction in the first quarter of the year. Becton-Dickinson estimates that its second-quarter sales were raised $18 million and net income $6 million by the effects of exchange rates.

SmithKline Beckman and Bristol-Myers both recorded unusual charges in the quarter related to product-tampering scares. At SmithKline, for instance, reintroduction of Contac cold medicine, which was withdrawn from the market in March, cut pretax earnings $10 million. That charge followed first-quarter charges totaling $57.8 million reflecting product withdrawal costs and an early retirement program.

In late June, Bristol-Myers withdrew all its nonprescription capsules from sale as a result of tampering with Excedrin capsules. According to chairman Richard L. Gelb, the withdrawal cost the company $38 million before taxes and $19 million after taxes.

Becton-Dickinson increased net income 40% on a sales gain of 31%, compared with second-quarter 1985. Product sales rose 27% to nearly $185 million, including $18 million of sales from Desert Medical Products, acquired May 30. Nonhealth care product sales declined 2% to $38.9 million, largely because of the divestiture of the company's Digitran division.

Eli Lilly earnings rose 14% on a 16% sales increase in the second quarter. "All business segments contributed to the record sales growth for the second quarter," says chairman Richard D. Wood. The company cites U.S. sales of oral antibiotics, injectable antibiotics, and global sales of genetically engineered insulin in particular. Sales by the company's Hybritech subsidiary increased 40% to $11.3 million. During the first half of the year, Hybritech sales grew 56% to $22.6 million.

For Upjohn, net income leaped 24% on a 9% increase in sales. "Earnings for the quarter were excellent because of the continuing strong performances of our major pharmaceutical products," comments chairman R. T. Parfet Jr. "Gross margins benefited from a favorable product mix as cost of goods sold decreased as a per cent of sales compared to the year-earlier quarter." Sales of human health care products rose 19% in the quarter, offsetting a 12% slump in agricultural sales.

David Webber, New York

Pharmaceutical earnings increased 16% in second quarter

	SECOND-QUARTER 1986						FIRST-HALF 1986					
	Sales ($ millions)	Earnings[a]	Change from 1985 Sales	Change from 1985 Earnings	Profit margin[b] 1986	Profit margin[b] 1985	Sales ($ millions)	Earnings[a]	Change from 1985 Sales	Change from 1985 Earnings	Profit margin[b] 1986	Profit margin[b] 1985
Abbott Laboratories	$ 938.0	$133.6	13%	16%	14.2%	13.9%	$1583.2	$257.3	−12%	18%	16.2%	12.0%
American Home Products	1198.0	183.3	8	9	15.1	15.0	2462.7	378.2	6	9	15.4	15.0
Avon Products	711.9	38.9	22	22	5.5	5.4	1320.4	54.6	18	20	4.1	4.1
Baxter Travenol	1422.0	51.0	178	19	3.6	8.4	2789.0	100.0	173	22	3.6	8.0
Becton-Dickinson	377.4	31.7	31	40	8.4	7.9	656.5	62.9	14	41	9.6	7.8
Bristol-Myers	1171.8	138.3	9	11	11.8	11.5	2366.3	282.9	9	15	12.0	11.4
Eli Lilly	879.3	125.7	16	14	14.3	14.5	1867.6	298.3	12	10	16.0	16.3
Merck	1005.0	173.2	15	26	17.2	15.7	1926.1	331.0	11	23	17.2	15.5
Pfizer	1117.9	156.1	12	14	14.0	13.7	2150.0	325.0	10	14	15.1	14.6
A. H. Robins	172.6	9.9	5	−29	5.7	8.5	364.1	33.1	10	−7	9.1	10.7
Schering-Plough	585.3	71.8	13	30	12.3	10.6	1198.0	143.6	14	26	12.0	10.9
SmithKline Beckman	882.6	123.4	15	2	14.0	15.8	1745.7	268.7	13	6	15.4	16.4
Squibb	584.8	67.7	23	29	11.6	11.0	1143.7	122.7	23	30	10.7	10.2
Sterling Drug	488.9	36.6	14	10	7.5	7.7	909.1	71.9	11	10	7.9	7.9
Upjohn	594.2	64.7	9	24	10.9	9.6	1131.6	127.7	11	19	11.3	10.5
Warner-Lambert	761.2	72.6	−6	9	9.5	8.2	1508.2	137.7	−6	9	9.1	7.9

a Excludes significant extraordinary and nonrecurring items. b After-tax earnings as a percentage of sales.